



Annual Report and Financial Statements
for the year ended 31 March 2021

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Directors and Trustees

Sir Richard Lambert (Chair)
Professor Dame Mary Beard DBE, FSA, FBA
Ms Cheryl Carolus
Dame Elizabeth Corley DBE
Miss Patricia Cumper MBE
Ms Clarissa Farr
Professor Chris Gosden FBA
Ms Muriel Gray FRSE
Mr Philipp Hildebrand
Dame Vivian Hunt DBE
Sir Deryck Maughan
Sir Charlie Mayfield
Mr Mark Pears CBE
Mr Grayson Perry CBE, RA
Sir Paul Ruddock FSA
Lord (James) Sassoon
Baroness (Minouche) Shafik DBE (Deputy Chair)
Professor Sir Mark Walport FRCP, FRS,
FMedSci, HonFRSE (appointed 01 December 2020)
Mr George Weston
Professor Dame Sarah Worthington DBE, QC (Hon),
FBA
The Hon. Nigel Boardman (resigned 31 December 2020)
Sir Paul Nurse FRS (resigned 30 September 2020)
Mr Gavin Patterson (resigned 31 March 2020)
Lord Turner of Ecchinswell FRS (resigned 31 May 2020)

Auditors

Moore Kingston Smith LLP
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Registered Office

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Structure, Governance and Management

Organisational Structure

The British Museum Friends (BMF) is a registered charity (registration number 1086080) and a company limited by guarantee (registration number 4133346). The Board of Trustees of the British Museum, as a body corporate, is the sole company law member of the BMF. The Trustees of the British Museum are, individually, the charity trustees and the company law directors of the BMF. They govern the BMF in accordance with its Memorandum and Articles of Association.

The Board of Trustees is responsible for determining the overall strategy of the BMF. Trustees are appointed automatically on their appointment to the Board of Trustees of the British Museum, for fixed terms of service coterminous with their trusteeship of the British Museum. They are non-executive and unpaid. The Board of Trustees of the British Museum may consist of up to 25 members, of which 15 are appointed by the Prime Minister, one by the Sovereign, four by the Secretary of State on the nominations of the Royal Academy, the British Academy, the Society of Antiquaries of London and the Royal Society, and five by the Museum's Trustees. The Chair is appointed by the Board from its members.

Day-to-day management of the BMF is delegated to the Head of Membership who is supported by a team of staff, all of whom are employed by the British Museum. Volunteers are occasionally used to assist with programme delivery; this can involve working at one of the Member events, assisting with membership recruitment or performing one-off office tasks.

The Board of Trustees is supported by the Advisory Council to the BMF (the "Council"). Elected from amongst the Membership, the Council acts to ensure that the work of the BMF is in line with the interests of the Members as a whole, and advises on approaches likely to be of most interest. It provides advice and support to the Head of Membership on the strategic approach to marketing, fundraising, events and communication activities. The Council holds a skills register to record the expertise of Council Members. Vacancies are advertised through the regular membership mailings. The Council Members are then appointed following a selection and interview process led by the Chair of the Council, through the nominations committee. New Council Members have induction meetings with the Chair, Deputy Chair and Head of Membership.

Risk Management

Risk is unavoidable and the resources available for managing risk are finite. The aim of risk management within the BMF is therefore to achieve an optimum response to risk, prioritised in accordance with an evaluation of the risks. Risk management is everybody's responsibility, and is embedded within the BMF through established business planning processes, which ensure that risks to achieving planned initiatives are identified as those initiatives are developed. The Board, the Museum's Internal Controls Committee, and the Audit Committee support this through regular review of the risk register.

The inherent risks faced by the BMF include reaching membership profit targets, member retention, and management of the Members' room. Each of these is mitigated effectively by a strong system of internal control. The COVID-19 pandemic is likely to continue to impact new Member recruitment, event income and Members' Room. However, BMF generates most income through membership renewals. Through positive Member engagement and by closely managing costs the Board is optimistic that these risks can be effectively managed over the coming year.

Objectives and Activities

The overall object of the BMF, as laid down in the Memorandum of Association, is “to support and assist the British Museum in maintaining and expanding its collections and services to scholars and to the general public and to assist other charitable museums to any extent that in the opinion of the Friends might help the British Museum in the aforementioned manner”.

The BMF fulfils this object by granting funds to the British Museum from the surplus generated from membership subscriptions and other activities as part of the membership offer. The BMF also runs fundraising campaigns to generate funds for specific items or projects as requested by the British Museum.

The overall strategy of the BMF is to increase the level of support to the British Museum, through increasing member numbers and income, whilst providing an excellent quality of service to all Members.

Achievements and Performance

2020/21 was a truly exceptional year, with the COVID-19 pandemic meaning the Museum was only open for three months. Despite this, the Museum benefited from the continued loyalty and support of Members of The British Museum Friends.

Recruitment of new Members was heavily impacted by the closure (as BMF predominantly recruit new Members by converting exhibition ticket buyers), though recruitment was strong in periods when the Museum was open. Retention was prioritised, with digital channels heavily utilised to bring the Museum into Members’ homes.

Achievement and performance against objectives

The objectives set out in last year’s report optimistically hoped that 2020/21 would be spent recovering from the COVID-19 pandemic. In reality, repeated closures of the Museum have meant that 2020/21 has been a very different year to what we had anticipated, but much has still been achieved.

- Understanding and responding to the impact of the COVID-19 pandemic

The COVID-19 pandemic has had a substantial impact on the work of The British Museum Friends. When the Museum reopened at the end of August 2020, all visitors (including Members) were required to book tickets. We have worked to ensure Members still feel they benefit from flexible access to the Museum, while balancing the vital need to comply with social distancing requirements.

While recruitment was impacted by the repeated closures of the Museum, we were encouraged to see very high levels of recruitment in periods when the Museum was open.

- Reviewing our communications, with a particular focus on improving digital opportunities to engage with the Museum

The COVID-19 pandemic accelerated work to improve our digital activities. The focus of emails was shifted from encouraging visitation to engaging with the collection from home. This has proved popular with Members.

We introduced Members’ exclusive videos and shared recordings of our online Members’ events (see next point) and the videos have received over 120,000 total views to date. We also introduced a new

list of Young Explorers for Members looking after children during lockdown. The list has grown to close to 1,000 subscribers

We were also very pleased to give Members access to a digital archive of *The British Museum Magazine*, with 10 years' worth of magazines released initially. We also replaced *What's on* (the Museum's printed events guide) with a newsletter sharing stories from the Museum. This has proved important to ensure the continued engagement of those who are not active online.

- Ensuring the Member events programme is a valued part of the Membership offering, accessible by as many Members as possible

In 2020-21 Members were able to access a series of online events (18 in total), featuring Museum staff, authors, and figures of note. The digital event programme has ensured that Members do not need to come to Bloomsbury to attend a Member event, and participation has been growing each week with an average of 600 viewers per event.

A particular highlight was a discussion between curator Dr Sue Brunning and author John Preston, (author of novel *The Dig*) to mark the release of the associated Netflix film, which over 2,000 Members joined live. Young Friends were also able to access digital sleepovers, which included an element of live programming from the Museum.

Programming within the lecture theatre was suspended due to the COVID-19 pandemic. However, we were pleased to be able to invite Members to an event to celebrate the reopening of the Museum, and to provide early and late viewing opportunities for the *Arctic* and *Tantra* exhibitions.

- Maximising the level of grant to the Museum, with a focus on securing donations and Gift Aid declarations

With high Member retention rates and careful cost monitoring, we have achieved net income of £3.7m. We have secured legacies totalling £0.9m. In order to safeguard our financial position and mitigate against unlikely, but possible, future fluctuations in number of Members, we have not recommended an unrestricted grant to the British Museum in 2020/21. Instead, to give BMF financial sustainability in the face of the current uncertainties, we have designated a resilience fund of £3m. The Trustees currently expect to make use of the designated fund over the next couple of years, but this will be kept under review.

We have made restricted grants totalling £4k in respect of restricted prior year appeals received in 2020/21.

- Continuing the growth of membership activities in line with our strategy

Despite being a difficult year for many reasons, a huge amount has been achieved in 2020/21, most notably the transformation of how the Museum engages with Members online, as outlined above. Having previously pursued a communications strategy which prioritised encouraging visitation to the Museum, this year the team have focussed on taking the Museum into the homes of Members and the response has been overwhelmingly positive.

Plans for Future Periods

The impact of the COVID-19 pandemic will continue to be felt well into 2021/22. With this in mind, we propose to set similar goals as last year and to continue focusing on deepening Member engagement with the Museum, through improved communications and a refined events programme.

Key priorities for the forthcoming financial year are:

- Understanding and responding to the continued impact of the COVID-19 pandemic
- Continue improving digital opportunities to engage with the Museum
- Ensuring the Member events programme is a valued part of the Membership offering, accessible by as many Members as possible
- Maximising the level of grant to the Museum, with a focus on securing donations and Gift Aid declarations
- Continuing the growth of Membership activities in line with our strategy.

Grants

Grants totalling £4k were awarded to the British Museum in 2020/21, all of which were restricted. This compares to a total of £4.3 million in 2019/20, of which £4.1 million was unrestricted.

Restricted grants made during the year included:

- Contribution towards the Museum's work in preserving the collection (£1k)
- Contribution towards the Museum's research of the collection (£3k)

Restricted grants for the prior financial year included £22k towards the Museum's work in the Middle East or Central Asia, and £135k towards preserving the collection.

Public Benefit

In setting the BMF's objectives and planning its activities, the Trustees believe that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

The Trustees demonstrate this through making grants to the British Museum for new acquisitions for the collection, research, and other projects, which will benefit not just Members but also the general public in deepening our understanding of the cultures of the world. The Trustees also deliver public benefit by providing the opportunity for all visitors to the British Museum to become a Member at cost-effective rates; and by providing a set of valued benefits to Members of the BMF (particularly engagement with, and increased accessibility to, the Museum and its collection).

Fundraising

The BMF is registered with the Fundraising Regulator and works according to the Fundraising Promise. No agents are used for fundraising and the staff involved in fundraising are subject to the British Museum Code of Conduct. The BMF has a number of feedback channels and responds to questions from its supporters.

Auditors

Moore Kingston Smith LLP have expressed their willingness to continue in office and will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

Disclosure of Information to Auditors

So far as the Trustees are aware, there is no relevant audit information of which BMF's auditors are unaware. The Trustees believe that they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that BMF's auditors are aware of that information.

Financial Review

Income and Expenditure (Excluding Grants)

Total incoming resources of £5.1 million were generated this year, a decrease of £0.4 million or 7% compared with 2019/20. Income from charitable activities was 21% lower at £4.0 million. Donations and legacies were higher than 2019/20 at £1.0m, due to an increase in legacies bequeathed to BMF.

The BMF incurred expenditure (excluding grants) of £1.4 million in the year, a decrease of 13% compared to 2019/20.

Balance Sheet

Total funds at 31 March 2021 were £5.5 million, all of which were unrestricted. The cash position remains satisfactory.

Reserves Policy

The reserves policy is to retain three to six months' expenditure (excluding grants and exceptional item), to provide financial stability and to act as a safeguard against unforeseen expenditure and lower than expected income. This represents £0.4m - £0.8m, based on prior year expenditure figures. As at 31 March 2021, the BMF held unrestricted reserves of £5.5 million, of which £3.0m have been designated. The remaining £2.5m are general reserves, which is in excess of the amount required by the policy. It is currently expected that reserves will be brought in line with the reserves policy over the next couple of years.

Small Companies Exemption

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.



Sir Richard Lambert
Chair
The British Museum Friends
1 July 2021

Independent Auditor's Report to the Members of the British Museum Friends

We have audited the financial statements of The British Museum Friends ('the company') for the year ended 31 March 2021, which comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2021 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

Matters on Which We Are Required to Report by Exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Trustees' Annual Report and from preparing a Strategic Report.

Responsibilities of Trustees

As explained more fully in the trustees' responsibilities statement set out on page 12 the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the charitable company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charitable company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Moore Kingston Smith LLP

2 July 2021

James Cross (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP,
Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

Statement of Trustees' Responsibilities

The Trustees (who are also directors of The British Museum Friends for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with United Kingdom Accounting Standards and applicable laws (FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Companies Act 2006).

Company law requires trustees to prepare financial statements for each financial year, which give a true and fair view of the state of the affairs of the charitable company and of its income and expenditure for the financial year. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether a Statement of Recommended Practice applies and has been followed, subject to any material departures which are explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Financial Activities (Including Income and Expenditure Account) for the Year Ended 31 March 2021

	Note	Unrestricted Funds 2021 £'000	Restricted Funds 2021 £'000	TOTAL 2021 £'000	Unrestricted Funds 2020 £'000	Restricted Funds 2020 £'000	TOTAL 2020 £'000
Income from:							
Donations and legacies	2	1,059	4	1,063	196	164	360
Charitable activities	3	4,017	-	4,017	5,090	-	5,090
Investments	4	3	-	3	11	-	11
Total		5,079	4	5,083	5,297	164	5,461
Expenditure on:							
Raising funds	5	-	-	-	8	-	8
Charitable activities:							
Members' activities	6	1,351	-	1,351	1,560	-	1,560
Grant making	8	-	4	4	4,100	164	4,264
Total		1,351	4	1,355	5,668	164	5,832
Net income / (expenditure)		3,728	-	3,728	(371)	-	(371)
Transfers between funds	15	-	-	-	-	-	-
Net movement in funds		3,728	-	3,728	(371)	-	(371)
Reconciliation of funds:							
Total funds brought forward	15	1,809	-	1,809	2,180	-	2,180
Total funds carried forward	15	5,537	-	5,537	1,809	-	1,809

All activities are derived from continuing operations.
The Statement of Financial Activities contains all gains and losses in the year.
The notes on pages 15 to 23 form part of these accounts.

Balance Sheet as at 31 March 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments	9	612	610
		<u>612</u>	<u>610</u>
Current assets			
Debtors	10	678	903
Investments	11	1,600	-
Cash at bank and in hand		3,107	1,025
		<u>5,385</u>	<u>1,928</u>
Liabilities			
Creditors: amounts falling due within one year	12	(460)	(682)
Net current assets		<u>4,925</u>	<u>1,246</u>
Total assets less current liabilities		<u>5,537</u>	<u>1,856</u>
Creditors: amounts falling due after more than one year	13-14	-	(47)
Total net assets		<u><u>5,537</u></u>	<u><u>1,809</u></u>
Represented by:			
Restricted funds	15-16	-	-
Designated unrestricted funds	15-16	3,000	-
General unrestricted funds	15-16	2,537	1,809
Total charity funds		<u><u>5,537</u></u>	<u><u>1,809</u></u>

The notes on pages 15 to 23 form part of these accounts.

These financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies, the Statement of Recommended Practice, Accounting & Reporting by Charities (SORP FRS 102), and applicable accounting standards.

The financial statements were approved at a Board meeting on 1 July 2021 and signed on its behalf by:



Sir Richard Lambert – Chair

Notes to the Accounts for the Year Ended 31 March 2021

1. Accounting Policies

Basis of Accounting

The financial statements comply with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland; the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and the Republic of Ireland (Charities SORP (FRS 102)); and the Companies Act 2006. The financial statements are prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis, after consideration of possible events or conditions that might cast significant doubt on the ability of the BMF to continue as a going concern. The on-going impact of COVID-19 remains under review and the Trustees will make appropriate decisions in the light of this.

The Trustees have reviewed the projections prepared by management, which demonstrate the organisation has adequate cash resources available, to finance its operations and meet its obligations as they fall due for a period of not less than twelve months following the date of approval of the financial statements. Accordingly they have continued to adopt the going concern basis in the preparation of the financial statements.

The principal accounting policies adopted in the preparation of the financial statements are as follows:

a) Income

In general, income is accounted for when a transaction or other event results in an increase in the BMF's assets or a reduction in its liabilities.

Subscriptions are recognised on a receipts basis as the charity is entitled to the subscription income once a member has paid. Membership extensions are only granted in exceptional circumstances. Life subscriptions were recognised in the Statement of Financial Activities (SOFA) over the expected length of lifetime membership, with the balance not recognised in the current year treated as deferred income. Since the amount held in the balance sheet as at 1 April 2020 had fallen to £50k, equivalent to c. 1% of membership subscriptions, the full amount has been released in 2020/21. We ceased selling lifetime memberships in 2006.

Publication and paid events income is recognised as income to the extent that the BMF has provided the associated goods or services. Where income is received in advance and the BMF does not have entitlement to these resources until the goods or services have been provided, the income is deferred.

Income from donations is recognised in the SOFA when there is evidence of entitlement (for example, when the conditions for their receipt have been met), receipt is probable and its amount can be reliably measured.

Catering income is recognised based on the net profit generated during the year by the catering provider. Any catering losses are recognised as costs incurred during the year.

Legacies are recognised as income when there has been grant of probate, there are sufficient assets in the estate, evidence of entitlement has been received from the executor and the amount receivable can be measured with sufficient accuracy.

b) Expenditure

Expenditure is recognised in the financial statements when a present legal or constructive obligation exists, it is more likely than not that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured or estimated reliably. Resources expended are classified in the SOFA under the principal categories of expenditure on raising funds and on charitable activities.

Costs of raising funds are those incurred in seeking voluntary contributions for the BMF. Costs of charitable activities are those incurred in supporting the membership and include the governance costs incurred to ensure compliance with constitutional and statutory requirements. Support costs are assigned to the SOFA headings in the same proportion as directly attributable staff costs.

c) Fixed Assets and Depreciation

Tangible assets with an economic life of more than one year and value greater than £5,000 are capitalised. Depreciation is provided on these tangible assets, at rates calculated to write off the value of each asset evenly over its expected useful economic life (see below) with no residual value assumed.

- Furniture, fit out and equipment – 2 to 20 years

Depreciation is charged evenly over the life of the asset, to the nearest month. In the year, the policy changed from charging a full year of depreciation in the year of acquisition and no depreciation in the year of disposal. Impairment reviews are carried out at the end of each reporting period to ensure that the carrying values of the assets do not exceed their recoverable amounts.

No assets of a depreciating nature are currently held.

d) Investments

All investments are stated at fair value at year end. Valuations for investments with an active market are based on published quoted prices at or close to the balance sheet date. Valuations for investments where there is no active market have been estimated with reference to recent valuation reports. The SOFA includes any realised and unrealised investment gains and losses arising on revaluation and disposals throughout the year.

Investments that are intended to produce a return, but which are placed in deposits of less than six months' duration, are treated as current assets. All other investments, which are intended to produce a long-term return and not intended to be spent within the next year, are treated as fixed assets.

e) Irrecoverable VAT

Irrecoverable VAT is treated as a support cost and is apportioned over the activities of the BMF as described in note 6.

f) Grants

Grants payable are recognised when the criteria for a constructive obligation are met, payment is probable, values can be measured reliably, and there are no conditions attached to payment that limit recognition.

g) Funds Structure

The BMF has the following categories of funds:

- Unrestricted funds: these are available for use at the discretion of the Trustees in furtherance of the general objectives of the BMF. These include designated funds, which are set aside at the discretion of the Trustees for specific purposes;
- Restricted funds: these funds are subject to specific restrictions imposed by donors.

The major funds comprising each category, the summary results for the year and a description of the movements between the funds are set out in Note 15.

h) Financial Instruments

The BMF only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Significant Judgements and Estimates

All judgements applied in preparing the financial statements are disclosed in the accounting policies above. No material estimates have been applied.

Disclosure Exemptions

As a qualifying subsidiary of the British Museum, the BMF has taken advantage of some of the disclosure exemptions available under FRS 102. These are:

- A statement of cash flows;
- Detailed disclosures relating to financial instruments (equivalent disclosures are included in the Museum's consolidated accounts); and
- Disclosure of total remuneration of key management personnel (reference is made in note 6e to the equivalent disclosures included in the consolidated accounts)

The British Museum's consolidated financial statements are available to view at:
http://www.britishmuseum.org/about_us/management/annual_reports_and_accounts.aspx.

2. Donations and Legacies

	2021 £'000	2020 £'000
Unrestricted		
Legacies	896	142
Donations	163	54
Total unrestricted	<u>1,059</u>	<u>196</u>
Restricted		
Legacies	-	22
Preserving the collection	1	135
Iraq scheme	-	4
Townley	3	2
Others	-	1
Total restricted	<u>4</u>	<u>164</u>
Total unrestricted and restricted	<u><u>1,063</u></u>	<u><u>360</u></u>

3. Charitable Activities

	2021 £'000	2020 £'000
Membership subscriptions	3,942	4,687
Paid events and catering	30	286
Publications	45	117
	<u>4,017</u>	<u>5,090</u>

4. Investments

	2021 £'000	2020 £'000
Interest income receivable	3	11

5. Cost of Raising Funds

	2021 £'000	2020 £'000
Fundraising costs	-	8

6. Members' Activities

	Directly attributable costs		Support Costs	Total	Total
	Staff £'000	Others £'000	Note 6 (a) £'000	2021 £'000	2020 £'000
Member promotion	164	20	67	251	290
Membership services	335	335	136	806	757
Paid events and catering	98	13	40	151	340
Publications	29	102	12	143	173
	626	470	255	1,351	1,560

6. (a) Support Costs

	2021 £'000	2020 £'000
External audit fee		
Current year	9	8
Underprovision in previous year	-	4
Council expenses	-	1
Directors', officers' and trustees' liability insurance	1	1
Total governance costs	10	14
Staff costs	61	63
Other non-staff costs	184	133
	255	210

Support costs have been allocated to charitable activities in the same proportion as directly attributable staff costs.

6. (b) Staff Costs

	2021 £'000	2020 £'000
Wages and salaries	447	423
Social security costs	46	43
Pension costs	112	101
Agency staff costs	82	179
	<u>687</u>	<u>746</u>

Permanent staff are employed by the British Museum, who recharge these costs to the BMF. Agency staff are contracted directly by the BMF.

6. (c) The average staff head count during 2020/21 was 14.76 (2019/20: 14.11). Including agency staff, 17.83 full time equivalent employees were employed in 2020/21 (2019/20: 21.32 FTE).

6. (d) No employees received employee benefits (excluding employer pension costs) of more than £60,000 (2019/20: 0).

6. (e) The British Museum employs senior management that oversees the BMF. Remuneration of the British Museum's key management personnel is disclosed in their financial statements, available to view at: http://www.britishmuseum.org/about_us/management/annual_reports_and_accounts.aspx

7. Trustees

The Trustees neither received nor waived any emoluments or other benefits from the BMF in the year (2019/20: £0).

All Trustees are entitled to reimbursement for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2020/21, no travel and subsistence expenses were paid to Trustees or directly to third parties on their behalf (2019/20: £0).

During the year, the BMF purchased charity trustees' liability insurance at a premium of £661 (2019/20: £1,420).

8. Grant Making

	2021 £'000	2020 £'000
Unrestricted donation	-	4,100
Restricted donation	4	164
Total grants	<u>4</u>	<u>4,264</u>

All grants were made to the British Museum. Details of grants can be found on page 7.

9. Investments

	2021	2020
	£'000	£'000
Investments brought-forward	610	605
Interest in the year	2	5
Fixed asset investments	612	610

10. Debtors

	2021	2020
	£'000	£'000
Trade debtors	21	98
Less: Provision for bad debts	(9)	(23)
	12	75
Other debtors:		
The British Museum	6	104
The British Museum Company	-	4
HM Revenue & Customs	619	708
Prepayments and accrued income	41	12
	678	903

11. Investments

	2021	2020
	£'000	£'000
Current asset investments	1,600	-

12. Creditors: Amounts Falling Due Within One Year

	Note	2021 £'000	2020 £'000
Trade creditors		23	9
The British Museum		299	438
HM Revenue & Customs		90	132
Accruals, deferred income and others		48	103
		<u>460</u>	<u>682</u>

13. Creditors: Amounts Falling Due After More Than One Year

	2021 £'000	2020 £'000
Deferred income	<u>-</u>	<u>47</u>

The Lifetime Membership accrual was in respect of Members that purchased lifetime memberships. Since the amount held in the balance sheet as at 1 April 2020 had fallen to the equivalent of c. 1% of membership subscriptions, the full amount has been released in 2020/21

14. Deferred Income

	Total 2021 £'000	Total 2020 £'000
Falling due within one year	-	30
Falling due after more than one year	<u>-</u>	<u>47</u>
	<u>-</u>	<u>77</u>

The movement on the deferred income account for deferred income falling due within one year and after more than one year is as follows:

	Total 2021 £'000	Total 2020 £'000
Deferred income brought forward	77	82
Released in year	(77)	22
Deferred in year	<u>-</u>	<u>(27)</u>
Deferred income carried forward	<u>-</u>	<u>77</u>

15. Funds

		At 1 April 2019 £'000	Incoming resources 2019/20 £'000	Resources expended 2019/20 £'000	At 1 April 2020 £'000	Incoming resources 2020/21 £'000	Resources expended 2020/21 £'000	Transfer between funds £'000	At 31 March 2021 £'000
Unrestricted Funds									
Designated funds		-	-	-	-	-	-	3,000	3,000
General funds	1	2,180	5,297	(5,668)	1,809	5,079	(1,351)	(3,000)	2,537
Restricted Funds:									
Legacies	2	-	22	(22)	-	-	-	-	-
Preserving the collection	3	-	135	(135)	-	1	(1)	-	-
Iraq scheme	4	-	4	(4)	-	-	-	-	-
Townley	5	-	2	(2)	-	3	(3)	-	-
Others		-	1	(1)	-	-	-	-	-
		-	164	(164)	-	4	(4)	-	-
		2,180	5,461	(5,832)	1,809	5,083	(1,355)	-	5,537

- 1 In order to safeguard BMF's financial position and mitigate against unlikely, but possible, future fluctuations in number of Members, the Trustees have not recommended an unrestricted grant to the British Museum in 2020/21. Instead, to give BMF financial sustainability in the face of the current uncertainties, the Trustees have designated a resilience fund of £3m. The Trustees currently expect to make use of the designated fund over the next couple of years, but this will be kept under review.
- 2 The restricted legacy was accrued for the further excavation and development of the history of human civilisation in the middle east or central Asia.
- 3 The 2019/20 Preserving the collection appeal was set up to fund vital conservation projects at the Museum
- 4 The 2017/18 Iraq appeal was set up to advance the study of ancient civilisations in Iraq.
- 5 The Townley Research Fund was set up to support research in the Museum.

16. Analysis of Net Assets Between Funds

	Unrestricted funds 2021	Restricted funds 2021	Total 2021	Unrestricted funds 2020	Restricted funds 2020	Total 2020
	£'000	£'000	£'000	£'000	£'000	£'000
Current and fixed assets	5,993	4	5,997	2,374	164	2,538
Creditors	(456)	(4)	(460)	(565)	(164)	(729)
	5,537	-	5,537	1,809	-	1,809

17. Member's Liability

The charity is a company limited by guarantee and has no share capital. The liability of the Member in the event of winding-up is limited to £1.

18. Contingent asset

Three unrestricted legacies were bequeathed to BMF in 2020/21. The amount and timing of these payments are uncertain as the BM's interest is in the residuary estate but is estimated at c. £0.2m in total for all three legacies. Therefore these amounts have not been recognised in the financial statements.

19. Events occurring after the end of the reporting period

In 2018/19 we incurred exceptional expenditure of £1.9m in relation to tax changes resulting from a HM Revenue & Customs ruling, which challenged the BMF treatment of VAT on membership subscription income. The BMF appealed the ruling in 2019. In May 2021 HMRC agreed to refund £1.6m relating to the period to the end of September 2018, and a further sum of c. £1.2m relating to subsequent periods. We have not adjusted for this event as HMRC's decision occurred after the year end.

20. Related Party Transactions

The financial statements of the BMF are consolidated into the British Museum's group financial statements (available to view at: <https://www.britishmuseum.org/about-us/governance>).

In line with paragraph 33.1A of FRS 102, the BMF, as a wholly owned subsidiary of the British Museum, is not required to disclose transactions with other wholly owned members of the group headed by the Trustees of the British Museum. However, details of material transactions and balances with the British Museum and other subsidiary entities are shown in the relevant notes to the financial statements.

There were no other transactions with related parties during the year requiring disclosure.

A number of employees of the British Museum, Trustees and co-opted members of Board Committees and their family members, and members of the BMF Advisory Council, are members of the BMF.

Trustees and employees of the BMF and the British Museum are entitled to discounts on purchases from the Museum's shops and cafes.